

REPORT

DATE ISSUED: December 8, 2022

REPORT NO: HDP22-016

ATTENTION: Chair and Members of the Board of Directors of
Housing Development Partners of San Diego
For the Agenda of December 15, 2022

SUBJECT: Mariner's Village 2023 Property Budget

STAFF RECOMMENDATION:

That the Housing Development Partners (HDP) Board of Directors (Board) take the following actions:

- 1) Approve the 2023 Property Budget for Mariner's Village.
- 2) Find that the foregoing action is just and reasonable as to HDP for purposes of California Corporations Code Section 5234.

Please note a Conflict Disclosure Statement at the end of this report has been included because HDP has financing from the San Diego Housing Commission (Housing Commission) on this project, and these transactions otherwise involve the Housing Commission.

SUMMARY

Mariner's Village is a 172-unit affordable housing property for seniors with low income, earning between 50 percent and 60 percent of the San Diego area median income. It was developed with low-income housing tax credits (LIHTC). The property was acquired on January 30, 2021, by HDP Mariner's Village, LP. Rehabilitation started in February 2021 and will continue into the second quarter of 2023.

The Mariner's Village Property Budget is prepared annually by the management company, ConAm. The budget is reviewed and refined by HDP staff for accuracy and consistency with HDP's business plan for the asset.

Prior to January 1 of each calendar year, the HDP Board adopts the annual Property Budget and authorizes ConAm to operate the property according to that approved budget. The budget is also provided to the partnership's lenders and financing partners.

Staff is requesting approval of the 2023 Property Budget.

BUDGET SUMMARY

The 2023 Property Budget was prepared using historical data from property operations combined with the professional experience of ConAm and HDP's asset management team. The Net Operating Income of the property is expected to be higher than underwriting / pro forma expectations. Below is a summary chart, which compares the proposed 2023 budget to the underwriting pro forma.

	Mariner's Village				
	FY 2022	FY 2023	\$ Variance	% Variance	Notes
Rental Income	2,704,886	2,817,874	112,987	4%	3% Rent Increase
Other Income	95,683	106,305	10,622	11%	Increase based on the 2022 actual
Total Revenue	2,800,569	2,924,179	123,610	4%	
Total Admin	303,373	347,893	44,520	15%	Income-averaging compliance consultant, payroll.
Total Utilities	273,825	287,516	13,691	5%	5% increase to utilities anticipated
Total R&M	269,187	313,525	44,338	16%	Budgeted for max employee benefit election
Taxes & Insurance	110,473	122,626	12,153	11%	Insurance increase (industry-wide impact)
Other (extraordinary items)	129,159	393,795	264,636	205%	Ground lease payment (percentage of rental income) missed in FY22 budget, additional reserve deposits.
Other (debt due to uncollectible rent)	0	25,000	25,000	100%	Estimate for pandemic-related uncollectible-rent debt
Total Expenses	1,086,018	1,490,355	404,337	37%	Extraordinary expense.
NOI	1,714,552	1,433,824	-280,728	-16%	
Debt Service	1,004,385	1,004,385	0	0%	
Net Cash Flow	710,167	429,439	-280,729	-40%	Cash flow budgeted to exceed pro forma Targets. Property stabilizing post rehabilitation.

RENTS

Rent increases are aligned with underwriting.

MAINTENANCE AND REPAIR

The maintenance and repairs budget for 2023 will slightly decrease due to the completion of the rehabilitation as the property enters its stabilization period. The budget is based on the needs of the property and consistent with other similar assets. Staff will continue to monitor maintenance expenses and implement preventative maintenance measures to extend the useful life of the units.

STAFFING

The staffing for this property consists of one full-time property manager, one full-time assistant manager, one full-time maintenance technician, one full-time assistant maintenance technician and one full-time day porter.

CAPITAL PLAN

Monthly deposits into the replacement reserve account will begin when the construction loan converts to the term loan, anticipated to occur in mid-2023.

FISCAL CONSIDERATIONS

For FY23, it is anticipated that the property's Total Revenue will be \$2,897,335. Total Operating Expenses will be \$1,489,013 for a Net Operating Income of \$1,408,322. The Net Operating Income of the property is expected to be higher than underwriting / pro forma expectations.

ENVIRONMENTAL REVIEW

Approval of the Mariner's Village operating budget is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 (Existing Facilities), which allows the operation, repair, maintenance permitting, leasing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use. The parties agree that the provision of any federal funds as the result of this action is conditioned on the City of San Diego's final NEPA review and approval. No contracts will be signed nor any action taken nor work performed under any of the contracts until such time as the appropriate NEPA clearances have been obtained.

CONFLICT DISCLOSURE STATEMENT:

Two San Diego Housing Commissioners (Commissioners), Stefanie Benvenuto and Eugene "Mitch" Mitchell, and Interim President & Chief Executive Officer (CEO) of the San Diego Housing Commission (Housing Commission), Jeff Davis, are each directors of Housing Development Partners (HDP), a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation for federal purposes. Any Commissioner who is also a director of HDP as of the date of this staff report and Interim CEO Davis have no conflict of interest as discussed below.

The Commissioners and Interim CEO Davis receive no compensation for their service on HDP's Board of Directors and/or as officers of HDP. Pursuant to the provisions of Government Code Sections 1091.5(a)(7) and 1091.5(a)(8), the Commissioners and Interim CEO Davis each have a "non-interest" as described in Government Code Section 1091.5 for purposes of their action on Housing Commission matters associated with this matter, if any. This disclosure shall be incorporated into the record of the Housing Commission, if and when this matter is heard by the Housing Commission.

Further, as members of the Housing Commission Board of Commissioners, the Commissioners are legally entitled to vote and be counted for quorum purposes in this HDP matter. Further, Mr. Davis is not compensated by HDP, and he sits on the Board of Directors of HDP. He is legally entitled to vote and to be counted for quorum purposes for this HDP matter.

None of HDP's Board members has a financial interest in this action item that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100 et. seq.

Further, the Housing Commission is a public agency, and the Commissioners are not compensated for their service as Commissioners of the Housing Commission. Further, Mr. Davis's compensation from a public agency, the Housing Commission, is a non-interest under the provisions of Government Code Section 1091.5(a)(9) as well as for the purposes of Government Code Section 87100 et. seq. Mr. Davis's compensation with the Housing Commission is not a financial interest that would, in any way, preclude him being counted for quorum purposes or voting on these matters before HDP.

Further, to the extent that HDP is a public agency for local Ethics Ordinance purposes, neither the Commissioners nor Director Davis have any conflicts of interest under the local ethics ordinance that would preclude their, or any of their, actions in this matter or from being counted for quorum purposes.

This disclosure shall be and is hereby documented in the official records of the HDP. Similar disclosures will be made in the records of the Housing Commission, if and when this matter is heard by the Housing Commission.

MUTUAL DIRECTORS STATEMENT:

To the extent that Commissioners may be considered to be “directors” of the Housing Commission for purposes of California Corporations Code Section 5234 and, hence, common directors with HDP, a vote on this matter should incorporate a finding that these transactions are just and reasonable as to HDP.

Respectfully submitted,

Emmanuel Arellano

Emmanuel Arellano
Vice President of Asset Management
Housing Development Partners

Approved by,

Emily S. Jacobs

Emily S. Jacobs
Executive Vice President
Housing Development Partners

Attachments: 1) Mariner's Village- 2023 Property Operations Budget

Docket materials are available on HDP's website at www.hdpartners.org

Mariner's Village - 2023 Operating Summary		
	2022 Budget	2023 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	\$ 2,892,950	\$ 3,686,760
Gain Loss to Lease	-	\$ (720,577)
Less: Vacancies	\$ (144,648)	\$ (148,309)
Less: Down Unit	-	
Less: Manager's Unit	\$ (43,416)	\$ -
Less: Discounts and Concesss	-	
Less: Office Community Room Unit	-	\$ -
Less: COVID Hardship	-	
Rent Subsidy Variances	-	
Net Rental Income	\$ 2,704,886	\$ 2,817,874
Other Income		
Rental Income Commercial	-	
Application Fees	\$ 1,300	\$ 1,300
Damages Cleaning Fees	\$ 2,000	\$ 2,060
Carport Garage Gate Income	\$ 66,098	\$ 69,893
Laundry and Vending Revenue	\$ 15,685	\$ 16,438
NSF Late Charges	\$ 3,500	\$ 3,605
Former Tenant Income	-	\$ 644
Interest Income - Restricted	-	\$ 28
Interest Income - Replacement Reverse	-	\$ -
Interest Income Investments	\$ 100	\$ 103
Grant Income - Fed - Svc Coord	-	\$ -
Commercial Tenant - Reimb	-	\$ -
Miscellaneous Income	\$ 7,000	\$ 12,235
Total Other Income	\$ 95,683	\$ 106,305
Total Income	\$ 2,800,569	\$ 2,924,179
EXPENSES		
Admin		
Consultant Asset Mgmt	-	
Broker Fees	-	\$ -
Audit and Tax Prep Fees	\$ 12,150	\$ 12,150
IT Support Maintenance	-	\$ -
Property Management Fees	\$ 139,674	\$ 142,144
Bookkeeping Fees	\$ 1,450	\$ 1,493
Office Expense	-	\$ -
Internet and Telephone	-	\$ -
Office Supplies	\$ 4,000	\$ 4,120
Parking	-	\$ -

Mariner's Village - 2023 Operating Summary		
	2022 Budget	2023 Budget
Software Exp Admin	\$ 8,000	\$ 8,240
Copier Printer	\$ 4,800	\$ 4,944
Office Repairs and Maint	\$ 2,500	\$ 2,575
Bank Charges Admin	-	\$ 566
Mileage	-	\$ -
Dues Subs and Memberships	-	\$ -
Other Admin Expense	\$ 1,550	\$ 1,597
Manager and Admin Salaries	\$ 43,520	\$ 93,946
Office Salaries	-	\$ -
Employee Benefits PM Co - Program Admin	\$ 30,000	\$ 17,760
Payroll Taxes - Manager and Admin	\$ 20,550	\$ 8,470
Workman's Comp Mgr and Admin	\$ 14,000	\$ -
Temp Services - Admin	-	\$ -
Consultant Other Program Admin	\$ 1,870	\$ 20,000
Legal - Program Admin	\$ 3,000	\$ 4,000
Cleaning and Janitorial Contract	-	\$ -
Credit Check Service Fee	\$ 600	\$ 618
Internet and Telephone Prog Admin	\$ 9,675	\$ 9,965
Advertising	\$ 300	\$ 309
Bank Charges Program Admin	\$ 2,500	\$ 2,575
Mileage and Travel Exp Prog Admin	\$ 1,545	\$ 1,591
Training - Program Admin	-	\$ -
Postage and Delivery Prog Admin	\$ 1,000	\$ 600
Software Exp Program Admin	-	\$ 9,519
Misc Program Admin	\$ 690	\$ 711
Lease Up Expenses	-	\$ -
Total Admin	\$ 303,373	\$ 347,893
Utilities		
Cable Expenses	-	
Electricity	\$ 25,000	\$ 26,250
Gas	\$ 43,825	\$ 46,016
Sewer	\$ 90,000	\$ 94,500
Water	\$ 115,000	\$ 120,750
Total Utilities	\$ 273,825	\$ 287,516
Maintenance and Repair		
Fire Protection and Alarm	\$ 2,000	\$ 2,060
AC Contracts	\$ 1,500	\$ 1,545
Clubhouse Expense	-	\$ -
Decorating	-	\$ -
Elevator Contracts	-	\$ -
Exterminating Supplies	-	\$ -
Exterminating Contracts	\$ 5,000	\$ 6,500
Electrical Contracts	\$ 1,500	\$ 1,545

Mariner's Village - 2023 Operating Summary		
	2022 Budget	2023 Budget
Furn and Appl Rplcmnt	\$ 800	
Landscape and Grounds Contract	\$ 25,000	\$ 30,900
Ground Supplies	\$ 5,000	\$ 5,150
Janitorial Supplies	\$ 600	\$ 618
COVID Supplies	\$ 500	
Maint Supplies and Materials	\$ 8,000	\$ 8,240
Plumbing Contracts	\$ 4,000	\$ 4,120
Plumbing Supplies	\$ 500	\$ 500
Repair and Maint Payroll	\$ 126,587	\$ 122,686
Payroll Taxes - Rpr and Maint	-	\$ 11,319
Employee Benefits PM Co - Program	\$ 1,500	\$ 26,640
Temp Services - Program Admin	-	\$ -
Unit Turnover Contracts	\$ 5,000	\$ 5,150
Flooring	\$ 1,000	
Painting Contract	-	\$ -
Repair Contracts	\$ 5,000	\$ 9,600
Repair Supplies	\$ 1,210	\$ 1,246
Security Contract Program	\$ 33,990	\$ 33,990
Security Payroll	-	\$ -
Trash Removal	\$ 40,000	\$ 41,200
Workman's Comp-Rpr and Maint	-	\$ -
Extraordinary Maintenance	-	
Uniforms	\$ 500	\$ 515
Insurance Claims Expense	-	\$ -
Insurance Proceeds	-	\$ -
Retail Space Expenses	-	\$ -
Total Maintenance and Repair	\$ 269,187	\$ 313,525
Taxes and Insurance		
Taxes Licenses and Fees	\$ 2,500	\$ 2,575
Fidelity Bond Insurance	-	\$ -
Insurance Other	-	\$ -
Property and Liability Ins	\$ 107,973	\$ 117,691
Property Taxes	-	\$ 2,360
Total Taxes and Insurance	\$ 110,473	\$ 122,626
Other Expenses		
Tenant Services Other	-	\$ -
Tenant Services Payroll and Benefits	\$ 68,959	\$ 71,028
SDHC Compliance Monitoring Fee	-	\$ -
Relocation Costs	-	\$ -
Relocation due to Maint	-	\$ -
Ground Lease Expense	-	\$ 260,761
Miscellaneous Exp Program	-	\$ -
Bad Debt - Tenant Rent	-	\$ 25,000

Mariner's Village - 2023 Operating Summary		
	2022 Budget	2023 Budget
Bad Debt - Other Tenant Charges	-	\$ -
Bad Debt - Other - Elim	-	\$ -
CY Deposit to Replacement Reserve	-	\$ -
CY Deposit Escrow Rplc Reserve	\$ 60,200	\$ 62,006
Total Other Expenses	\$ 129,159	\$ 418,795
Total Operating Expenses	\$ 1,086,018	\$ 1,490,355
Net Operating Income	\$ 1,714,552	\$ 1,433,824
Debt Service		
CY Mortgage Debt Payments	-	\$ 290,341
Interest Expense - Mortgage	\$ 979,760	\$ 689,419
Mortgage Insurance Expense	-	\$ -
Loan Servicing Fee (Trustee Fee)	-	
SDHC Bond Admin Fee	\$ 24,625	\$ 24,625
Loan Fees	-	
Total Debt Service	\$ 1,004,385	\$ 1,004,385
Net Cash Flow	\$ 710,167	\$ 429,439